



Rural Development

FL/USVI State Office

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July 29, 2019

Mr. Alan Sullivan
Belle Glade Housing Authority
PO Box 577
Belle Glade, Florida 33430

RE: ROUTINE NOTICE OF SERVICING CONCERNS/VIOLATIONS

Dear Mr. Sullivan:

This letter is to inform you of serious concerns and noncompliance regarding your operations of the Belle Glade Housing Authority (BGHA) at Okeechobee/Osceola Center. As detailed below, non-compliance has been noted in the property physical conditions, the financial statements, and property operations. This was brought to the Agency's attention via recent physical inspections, review of financial statements, and complaints received from residents of the property. You must provide a written response to address each of these concerns by August 14, 2019.

Please be reminded that USDA has made a significant financial investment into the properties, via the Belle Glade Housing Authority. Agency records reflect the following loan balances and grant history:

Loan 1 – no balance
Loan 2 – GRANT \$2,500,000 (1979)
Loan 3 – no balance
Loan 4 – LOAN - \$26,130 approximate balance (P&I)(1987 Revenue Bond)
Loan 5 – GRANT - \$3,150,000 (1986)
Loan 6 – LOAN - \$52,390 balance (P&I) (1989 Revenue Bond)
Loan 7 – GRANT \$3,150,000 (1987)
Loan 8 – LOAN - \$60,480 balance (P&I) (1990 Revenue Bond)
Loan 9 – GRANT - \$1,675,870 (1989)
Loan 10 – LOAN - \$845,900 balance (P&I) (1996 Revenue Bond)
Loan 11 – GRANT - \$733,990 (1994)
Loan 12 – LOAN - \$2,220,030 balance (P&I) (2009 Revenue Bond)
Loan 13 – GRANT - \$2,588,238.63 (2006)

UNACCEPTABLE PHYSICAL CONDITION

Violation: Agency staff met with you on August 18, 2018; June 11, 2018; June 21, 2017; July 13, 2016, and June 24, 2015 to discuss concerns with the unacceptable level of deferred maintenance of the property. A copy of the Agency's August 23, 2016 letter outlining the deficiencies/findings noted during the July 13 inspection including those of health and safety concerns is attached. Also attached is the Agency's June 24, 2015

inspection report and letter dated July 23, 2015 that outlines the deficiencies/finding noted. These findings have not been resolved.

During the June 11, 2018 visit the agency voiced concern about the ongoing deferred maintenance and poor physical condition of the property, as well as vacant units that were not rent ready despite ample funds available in the replacement reserve and a significant waiting list.

During the same June 11 meeting you indicated that your efforts to address some of the physical conditions of the property was to purchase fill dirt that would be placed around most of the units to assist with water drainage. You also indicated that several roofs were to be replaced. Our records since that meeting show:

- a. You have delivered fill dirt at several units with the leveling and proper grading still to be completed
- b. Approximately 90 roofs have been replaced

Citation: You are required in 7 CFR 3560.103(a)(3) and by Loan and Grant Agreements including your Rental Assistance (RA) Agreements to maintain the property in compliance with local, state and federal laws and regulations and follow agency requirements for affordable, decent, safe, and sanitary housing.

Correction Required: Submit a plan by August 14, 2019 to address all property physical deficiencies and deferred maintenance, including specific time frames and milestones for completion of work.

FINANCIAL NONCOMPLIANCE

Violation: Required budgets and financials were not submitted in a timely manner, however we have reviewed the Housing Authority's year-end financials from 2013-2018 and the 2017 audit. Despite significant outstanding capital needs and deferred maintenance, BHGA has not requested a rent increase since 2013. The following issues from the financial statements require further explanation:

- Transfer to Reserves - In 2013 there was surplus cash of \$443,996, but the following year's reserve deposit was \$12,913. In 2016 there was surplus cash of \$1,024,564, but the following year's reserve deposit was for \$314,670. Based off the beginning and ending reserve account balances and the "transfer to reserves", it does not appear the surplus cash was deposited into the reserve account as required.
- The site manager and maintenance payroll are high when compared to other properties in the agency's portfolio. For instance, your payroll during the 2017 time period was \$548 per unit while other comparable farm labor properties in the Florida portfolio averaged \$419 per unit. Site maintenance payroll during 2017 was \$753 per unit while comparable properties averaged \$682 per unit. Please explain this variation, given the extensive noted problems with physical condition.
- Please explain the high expenses for trash removal, as excess trash on the property is a documented problem. The lease states that the Landlord, in its sole discretion, may elect to pay directly to the provider for the service of trash and/or garbage pickup. Trash expenses were paid by the project in the amount of \$204,400 as evidenced in the transmitted RD FORM 3560-7 Year-end Actuals for 2017.

Citation: Reserve account requirements are outlined in 7 CFR §3560.306, paragraph (d), which requires BGHA to deposit surplus cash into the Replacement Reserve account and utilize it to

address ongoing capital needs. The Loan and Grant Agreements including your Rental Assistance (RA) Agreements requires BGHA to submit budgets and financial statements each year, as well as request rent increases as needed to address property expenses and capital needs.

Correction Required: Submit a response to the above questions by August 14, 2019, along with a plan for timely submission of all required future budgets and audits, and a financial plan that includes reasonable rent increases to properly operate and maintain the property.

PROPERTY MANAGEMENT NONCOMPLIANCE

Violation 1: Property leases contain requirements for tenants to pay for maintenance and legal expenses in violation of Agency lease requirements. Specifically, Paragraphs 18, 20, 22, 27, 28, 30, and 40 of the lease must be revised.

Citation 1: The Agency's lease requirements are outlined in 7 CFR §3560.156.

Correction Required 1: Submit a revised lease by August 14, 2019 complying with Agency requirements, as well as state and local landlord/tenant law.

Violation 2: BGHA must submit a management plan that remains in effect as long as it accurately reflects housing project operations, and must certify every three years that they are operating in accordance with their management plan. Our records reflect a certification was submitted to the Agency in 2016, but it is clear the management plan was not followed and was not in compliance with Agency requirements.

Citation 2: 7 CFR §3560.102 (a) states that Borrowers hold final responsibility for housing project management and must ensure that operations comply with the terms of all loan and grant documents, Agency requirements, and applicable local, state and Federal laws and ordinances.

Correction Required 2: Submit an updated management plan by August 14, 2019, including a summary of changes from the previous management plan and an explanation of how the updated plan will bring the project into compliance and ensure compliance is sustained going forward.

CONCLUSION

This Servicing Letter #1 is being issued in accordance to Chapter 10, Paragraph 10.10 of HB-3-3560 with notifying Borrowers of servicing problems. Under this reference, the Agency must notify the borrower using formal servicing letters that state the need for corrective action to be taken. In addition, this letter serves to trigger the start of a 60-day period for nonmonetary violations at the end of which the borrower is in default of their loan agreement if the situation has not been resolved. Resolution may take the form of action proposed by the borrower and approved by the Agency, or it may take the form of enforcement actions instituted by the Agency when the borrower fails to respond or responds inadequately.

7 CFR §3560.452 (e) states that if a borrower fails to cure a default within the time period specified in the default notice, the Agency may initiate the enforcement actions described in §3560.461 or liquidation as described in §3560.456. Also, Agency compliance violation notices and related

default notices may be referred to Federal, state, and local agencies with jurisdictions related to the violations for handling, in accordance with their requirements.

7 CFR §3560.452 (c) states that a nonmonetary default exists when a borrower fails to correct a compliance violation, other than a monetary amount past due, within the time period specified in a compliance violation notice issued in accordance with §3560.354.

Based on the information above, the Agency has determined that you are in nonmonetary default of the following areas outlined in 7 CFR §3560.452 (c):

- (1) Operate and manage a housing project in accordance with the Agency approved management plan or Agency requirements;
- (2) Maintain the physical condition of a housing project in a decent, safe, and sanitary manner and in accordance with Agency requirements;
- (6) Submit required annual financial reports to the Agency within time periods specified in §3560.308; and
- (7) Submit management plans, leases, occupancy rules, and other required materials to the Agency in accordance with Agency requirements.

You must submit an extensive written plan by August 14, 2019 with specific actions and timeframes for how you will correct the concerns listed. If this plan is unacceptable, USDA will pursue further enforcement action including but not limited to requiring a change in management agent or assessing civil monetary penalties. Our office address and telephone number are listed above. You should also feel free to contact me at 352-338-3464 if you have any questions:

Sincerely,



TIM G. ROGERS
Multi-Family Housing Program Director

Attachments

cc: Philip L. Leary, State Director, Gainesville, Florida